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LETTER DATED 26 OCTOBER 1993 FROM THE PERMANENT REPRESENTATIVE OF SLOVAKIA TO THE UNITED NATIONS ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to refer to my letter of 7 June 1993 addressed to you (S/25894) concerning the serious economic problems arising from carrying out the measures set out in the relevant Security Council resolutions imposing sanctions on the Federal Republic of Yugoslavia (Serbia and Montenegro) and also to Security Council resolution 843 (1993) of 18 June 1993.

In this connection I have the honour to transmit herewith details as to the nature and extent of the economic difficulties confronting my country as a result of its strict implementation of the sanctions regime imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro) by the relevant Security Council resolutions.

I would appreciate if you could kindly inform the members of the Security Council about these losses and have this letter and its annex circulated as a document of the Security Council.

(Signed) Eduard KUKAN
Permanent Representative

Annex

Settlement of losses directly connected with the embargo

(Thousands of United States dollars)

1. Name of enterprise: Ministry of Economy of the Slovak Republic

   Address: Špitálska 8, Bratislava
   Contact: Ing. Zorvan Milan
   Telephone: 321 548
   Entrepreneurial sphere: foreign trade

2. Loss caused by import and export policy

A.	Total primary expenses	89 380
B.	Total reimbursement expenses	35 080
C.	Total loss (A minus B)	54 300

3. Cost of restructuring

A.	Expenses connected with compensatory agreements	26 200
B.	Expenses connected with transient period	23 106
C.	Financial expenses	35 080
D.	Cost of maintenance	36 810
E.	Employees' wages loss	
F.	Other expenses	15 421
G.	Total cost of restructuring (A+B+C+D+E+F)	136 617

4. Other alternatives 55 058

5. Total loss 245 975

6. Expected loss in 2, half-year 1993 41 815

Appendix I

Information on the losses directly or indirectly connected with sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) resulting from the implementation of the resolution of the United Nations Security Council

(In thousands of United States dollars)

Losses arising from	1992	1993
Cancelled contracts	91 965	1 965
Goods produced but not exported	-	-
Products transferred to other markets at lower prices	-	-
Cancelled imports	858	-
Compensatory contracts, which covered cancelled imports	-	-
Cancelled imports without compensatory contracts	-	-
Cancelled barter transactions	6 192	465
Exported but unpaid production (with maturity after 31 May 1992)	1 424	-
Suspension and delay of transport	38 346	11 653
Payment of interest bank credits used for production of goods, which should be exported to the former Yugoslavia	-	-
Interest paid for bank credits in convertible currency, used for the coverage of imports from the former Yugoslavia before the embargo, which had to be compensated with imports from other markets	-	-
Dead capital resulting from unrealized exports	5 150	4 337
Profit loss from goods contracted but not produced for the Federal Republic of Yugoslavia (Serbia and Montenegro)	10 113	11 786
Other reasons	37 908	23 813
	191 956	54 019
	191 956	
	54 019	
Total	245 975	

Appendix II

1. Factual description

The first agreement between Czechoslovakia and the Kingdom of Serbia, Croatia and Slovenia about cooperation and trade was contracted in 1928. After the end of World War II, following a short freeze in mutual relations in the 1950s, an intense expansion of commercial, and then political, cooperation between Czechoslovakia and Yugoslavia took place in the next decade.

This cooperation was further developing generally, in cooperation, in production and in the founding of common enterprises, etc.

The rapid decline in the mutual exchange of goods after 1989 is proved by the following survey:

	1989	1990	1991	1992
Total turnover	1 228.0	1 038.0	401.3	168.4
Import	608.0	533.7	163.1	47.1
Export	620.0	505.0	238.2	121.3

In accordance with the suggestion of the United States delegation at the meeting of "The committee of delegates" in Vienna (February 1993) further severe sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro) were discussed. This affected also transit and damaged and impaired the economy of Slovakia.

The suggestion of the United States delegation was accepted and reflected in the most severe resolution of the United Nations Security Council accepted till now: resolution 820 (1993), which came into effect on 26 April 1993.

Since Slovakia, as a Member of the United Nations, fully respects its decisions and consistently abides by resolution 820 (1993) in spite of grave economic losses, it is necessary to mitigate this impact on Slovakia in any form and reimburse the quantified losses.

According to data obtained, 43 subjects in Slovakia have been affected by the embargo, three quarters of them are private and privatized physical and juridical persons and nearly one quarter are joint-stock companies with State participation.

These subjects are controlled by five departments:

Ministry of Transport, Communications and Public Works
Ministry of Health
Ministry of Economy
Ministry of Agriculture
Ministry of Finance

The embargo affects these branches:

	(In thousands of United States dollars)
Machine industries	16 537
Power engineering	5 365
Foodstuff, cereals, fruit and vegetables	23 200
Foreign trade (export, import)	64 300
Slovak railways	8 165
Water transport	18 900
Road transport	3 050
Building industry	17 902
Metallurgy	28 220
Steelmaking	7 250
Oil industry	4 570
Chemical industry	3 458
Other branches	45 058
Total	245 975

These numbers correspond with the data in the response to the questionnaire and appendix I.

2. Argumentation

Many business partners from Slovakia had been cooperating for several decades with the States of the former Yugoslavia. Owing to this cooperation, they created mutual good business and cooperative relations, settled through clearing arrangements.

They created common technology and standards applied in production and business.

With the change of the political situation in Yugoslavia and the implementation of the embargo imposed on the Federal Republic of Yugoslavia (Serbia and Montenegro) by the United Nations Security Council, these relations have been disturbed and the said region is not utilizable for mutual business and cooperation between Slovakia and the Federal Republic of Yugoslavia (Serbia and Montenegro). Many producers in Slovakia are experiencing a great decline in production. Completed products and components are staying on stock as dead capital which constantly burdens producers financially with warehouse expenses. It is very difficult to find compensatory customers in Europe and overseas and this brings an excessive increase in expenses.

In many cases, specific equipment like engines, gearings, air-conditioning and others was imported custom-made for a given technical complex. Because of the situation that has arisen, they are not utilizable, or even marketable. This loss is directly affecting the contractor and it burdens the producer.

The realization of these supplies to the Federal Republic of Yugoslavia (Serbia and Montenegro) was fully suspended because of the embargo. The same applies to cooperation and joint ventures between Slovakia and the States of the former Yugoslavia.

Detailed quantified losses of Slovakia connected with the embargo against the Federal Republic of Yugoslavia (Serbia and Montenegro) (Security Council resolution 820 (1993)) are summarized in the answer to the questionnaire for settlement of losses directly connected with the embargo (see annex) and appendix I.